

Applicant : Peter B. Madoff et al.
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Attorney's Docket No.: 10575-002001

REMARKS

Reconsideration is requested in the above application.

The examiner rejected claims 1-40, 55-58 and 64 as anticipated by Lupien et al. US Patent 5,845,266 (Lupien).

Applicant claims are distinct over this reference. Applicant notes that the two prior actions from the examiner had allowed these claims over the prior art. Applicant also notes that the Office in the first office action in this application originally cited this reference. In that office action, the examiner used Lupien with Wagner in rejection of claims 3, 21 and 50. Applicant overcame that rejection and submits that the present claims are also distinguishable over Lupien alone.

Applicant's claims distinguish over Lupien for at least the following reasons.

Claim 1 recites a method of auctioning products. Lupien does not describe an auction system or method. Rather, Lupien describes a periodic, call market, which seeks to maximize and optimize the crossing of multiple orders on a periodic basis. These periodic calls (also referred to as "matching cycles"), are defined and established by the operator of the system, and are not controlled or triggered by the system's participants. As a consequence, in the interim period between calls, no order is ever available for execution, despite the fact they may be resident in the system awaiting the next matching cycle.

In contrast, Claim 1 calls for ... the order specifying ... an exposure time for which the order can be displayed or broadcast to other participants so as to be available for responses at any time during the duration of the exposure. Lupien does not suggest this feature. Lupien does not display or broadcast orders entered into the system for any period of time so that the orders can be responded to at any time during the exposure, nor does Lupien describe a system that allows the user submitting the order to trigger the start time or duration of such exposure or auction period. Rather, while a trader may be see its own order on its screen while awaiting the next, periodic matching cycle, the trader cannot see the orders of other traders that may also be resident within that system awaiting the next matching cycle. Thus, there are no teachings related to the exposure, display, or broadcast of orders. In addition, Lupien does not even

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suggest much less describe an exposure time for which orders can be broadcast for responses. The time-in-force indicator in Lupien is not an exposure time for which an order can be displayed for response, but merely a residency time period, which specifies for how long a non-displayed, resident order can remain in the system for purposes of being used in the next, periodic matching cycle of Lupien. The Time-in-force indicator does not control the exposure time of the order, since orders are never displayed to the market for response, and are not even available for execution until the next, periodic matching cycle.

Claim 1 also recites entering a response ... specifying a relative price with a price improvement with the relative price being relative to a generally accepted indicator of a prevailing market price. Lupien also does not suggest this feature. Lupien does not have a price that is, relative to a prevailing market price, and which offers a price improvement to that price. The examiner considers this to be disclosed at Col.2 lines 16-31. This is incorrect. Lupien discloses:

Instinet, owned by Reuters, also operates an electronic trading system that facilitates the negotiation of trades between institutional investors and brokers. Instinet allows parties to trade anonymously, entering bids and offers electronically. Instinet subscribers can respond to an "order" entered into the system either by matching a displayed price or by making a counter bid or offer that is transmitted electronically to the counter parties. The trades that result from these negotiations become public information only when they are executed. This procedure provides an alternative to the direct human-to-human negotiation of orders in the upstairs market or on the trading floors. Instinet provides a limit order book for over-the-counter (OTC) securities and listed securities and also provides inside quotes for exchange listed securities for the seven U.S. exchanges on which stocks can be traded and for NASDAQ listed securities.

Instinet allows a subscriber to make a counter offer/bid. That is not the same as a response that specifies a relative price with price improvement. The counter offer/bid is not a response but rather is another offer/bid that is transmitted to counter parties. The counter offer/bid does not specify a relative price, i.e., the price of the counter offer does not fluctuate with changes in the market (changes in the indicator of the prevailing market price). Also the

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counter offer/bid, as described in Lupien, does not require that the counter offer/bid price be for a price improvement relative to some prevailing market price. There is nothing in Lupien that requires the counter offer/bid to specify a better price. In fact, the counter offer/bid could be for an inferior price, better size, etc.

Finally, claim 1 recites matching the order with the response in accordance with the exposure time specified by the order. For reasons that should now be apparent, Lupien does not suggest this feature.

Claims 2-13 depend directly or indirectly on claim 1 and are allowable over Lupien at least for the reasons discussed in claim 1.

Claim 14 distinguishes from Lupien since Lupien neither describes nor suggests an order specifying a minimal acceptable amount of price improvement nor exposure time, as mentioned above with regard to Applicant's claim 1.

Claims 15-23 depend directly or indirectly on claim 14 and are allowable over Lupien at least for the reasons discussed in claim 14 and for the reasons of record.

Claim 24 is distinct over the reference by reciting an order specifying an amount of price improvement and exposure time, and a response specifying a price improvement relative to the generally accepted indicator of a prevailing market price, and matching the order and the response during the exposure time.

Claims 25-32, which depend directly or indirectly from claim 24, are distinct for the reasons discussed with their base claim 24 and reasons of record.

Independent claim 33 recites the orders specify an exposure time for which the order is displayed for responses. Lupien does not suggest this feature. Dependent claims 34-40 are allowable at least because they depend on claim 33 and for the reasons of record.

Applicant's remaining claims 55-58 and 64 are distinct over the references for the reasons also discussed of record. In addition, these claims are distinct for the reasons discussed above since the references neither describe nor suggest features of the invention such as a condition that seeks a specific minimum price improvement relative to a generally accepted indicator of a current prevailing market price and exposure time as recited in claim 55, for example, or receiving an order specifying a condition that seeks a minimum acceptable relative price improvement exposure time as recited in claim 64.

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Applicant asks that all claims be allowed. Please apply any other charges or credits to
Deposit Account No. 06-1050.

Respectfully submitted,

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